
BHPB bid for Rio - BHP has room to do more than iron or JV - BlackRock

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Bloomberg reported that BHP Billiton Limited has funding capacity to make bigger deals than the iron ore JV with rival Rio Tinto Group.

Mr Evy Hambro who helps manage USD 9 billion at BlackRock's BGF World Mining Fund said that "BHP still has a lot of room to do other things. We'll have to wait and see how they use the advantage of their strong balance sheet during the rest of this cycle."

Mr Hambro said that "I would expect them to have a lot of flexibility to take advantage of any quality asset that was available. I trust the management there to make some good decisions."

Shareholders including Alleron Investment Limited and SG Asset Management Pte said that BHP needs to make a bigger investment than the USD 5.8 billion it's paying to share iron ore production with Rio to satisfy investor demand for growth.

According to Bloomberg data, Melbourne based BHP has a total debt to common equity ratio of 29% compared with 192% at Rio, 77% at Xstrata and 69% at Anglo American Plc.

Morgan Stanley said that the Rio JV may take 12 months to complete and shareholders are expected to vote on the deal either late this year or early next year.

(Sourced from Bloomberg)

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